

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

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| In the Matter of: |) | |
| |) | |
| Universal Service Contribution |) | WC Docket No. 06-122 |
| Methodology |) | |
| |) | |
| Number Resource Optimization |) | CC Docket No. 99-200 |

COMMENTS OF THE IOWA UTILITIES BOARD

Summary

On June 27, 2006, the Federal Communications Commission (Commission) released its Report and Order and Notice of Proposed Rulemaking (Order). The Order adopted interim modifications to the existing approach for assessing contributions to the federal universal service fund (Fund) in order to provide stability while the Commission continues to examine more fundamental reforms. The interim modifications include raising the mobile wireless safe harbor from 28.5 percent to 37.1 percent and establishing a universal service contribution obligation for providers of interconnected voice over Internet Protocol (VoIP) services. Although the Order retains the traditional revenue-based contribution approach for now, the Commission states that it remains committed to examining more fundamental reforms in this proceeding.

In adopting the interim modifications, the Commission takes note of the dramatic growth of wireless and interconnected VoIP services over the past few years. During the same time period, declines in the traditional contribution base

combined with the growth in the size of the Fund have increasingly placed upward pressure on the percentage of assessable revenues that must be contributed to the Fund. The Order contends that the sufficiency and stability of the Fund's support mechanisms are in jeopardy.¹ To this end, the Commission seeks comment on methods to more fundamentally reform the contribution methodology.²

Numbers-Based Contribution Method

The Iowa Utilities Board (IUB) supports changing the traditional revenue-based contribution approach to a "numbers-based" approach as a means of reforming the Fund and as a means to further optimize the use of telephone numbering resources. Some of the benefits of a numbers-based approach are as follows.

First, the current revenue-based contribution approach will become increasingly difficult to manage now that it includes interconnected VoIP service providers. As the Order appears to acknowledge, many of the interconnected VoIP service providers are currently unknown to the Commission. This is because there has been no past requirement for registration. Only now is the Commission requiring interconnected VoIP service providers to make themselves known through a registration process.³ Alternatively, every service provider currently receiving numbering resources from the North American Numbering

¹ Order at paragraphs 18 and 19.

² Order at paragraph 65.

³ Order at paragraph 61.

Plan Administrator or the Pooling Administrator is currently known and registered.

Second, a numbers-based approach would accomplish the goal of assessing interconnected VoIP service providers, while reducing much of the administrative burden. Interconnected VoIP service providers generally provision their services by obtaining facilities from underlying carriers. Only the underlying carriers would need to report their “assigned telephone numbers” for the purposes of Fund assessments. “Assigned telephone numbers” should be defined to include all telephone numbers assigned to underlying carriers that have not been returned to the Pooling Administrator. This would include telephone numbers provided on a wholesale basis to interconnected VoIP service providers. In return, the underlying carriers should be permitted to pass the numbers-based Fund assessments on to all retail and wholesale customers by tariff or contract.

Third, the numbers-based approach self-corrects as markets change. If certain markets, such as wireless, continue to grow they will automatically provide more revenue to the Fund under a numbers-based approach. If other markets shrink they will automatically provide less revenue under a numbers-based contribution approach. Only periodic changes to the assessments per telephone number would need to be made to keep the Fund solvent.

Fourth, a numbers-based assessment approach would be an equitable means to further optimize the use of telephone numbering resources. Telephone numbers have traditionally been made available to carriers under a “commons use” approach. In other words, telephone numbers are essentially a “free”

resource to those requesting them. As with any “commons use” resource, there is the real likelihood that the resource will eventually be degraded or ruined by overuse. Until recently, the “commons use” approach worked reasonably well for telephone numbers because, at the retail level, the services associated with telephone numbers were not free. Thus, the retail cost of telephone service helped preserve the underlying “free” resource.

Recently a number of interconnected VoIP service providers have begun to provide free voice, FAX, and related services along with free telephone numbers. For example, WebPoint Communications (WebPoint) has partnered with 13 independent telephone companies in Iowa to provide free VoIP services to anyone requesting them.⁴ Telephone numbers for use by WebPoint are ordered by the 13 independent telephone companies, and in less than a year, 76 NXXs (760,000 telephone numbers) have been requested for free calling services. While there is no cost to the independent telephone companies or WebPoint, there is an ultimate cost to consumers if numbering resources are depleted and area code relief is required. Obviously, continued demand for free VoIP services in Iowa and elsewhere will harm this “commons use” resource. Yet, the Commission’s recent decision to assess interconnected VoIP service providers on the traditional revenue-based contribution approach may provide little relief to the Fund itself or telephone number optimization. Since these particular services are “free”, there would appear to be no benefit to the Fund in assessing them under the traditional revenue-based approach. However, a numbers-based

⁴ The free VoIP services are marketed through the following websites: www.freedigits.com, www.talkdigits.com, www.hopedigits.com, and www.faxdigits.com.

assessment approach would provide actual revenue to the Fund and help preserve the future use of the telephone numbering “commons.”

Conclusions

In the 1997 Universal Service First Report and Order, the Commission concluded that the current revenue-based approach would be: 1) competitively neutral, 2) easy to administer, and 3) explicit.⁵ For the reasons outlined above, it would appear the current revenue-based approach no longer meets these goals. The Commission should work to reform the contribution methodology by replacing the current revenue-based assessment approach with a numbers-based contribution approach. The numbers-based contribution approach would not only meet the three goals outlined by the Commission in 1997, but would also help to preserve the future use of the telephone numbering “commons.”

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⁵ Order at paragraph 6.